

AREA 3

COST REPLACEMENT HEARING DEALER REBUTTAL EXHIBITS

NOVEMBER 6, 2019

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

INDEX OF REBUTTAL EXHIBITS

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
(Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC**

Rebuttal Exhibit D1	Ronald W. Mong, CPA Curriculum Vitae
Rebuttal Exhibit D2	Processing, Packaging and Delivery Costs/Point
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Rebuttal Exhibit D3	Summary of Current Container Costs with Adjustments for Shrinkage and Loss and Update to Current Month
Rebuttal Exhibit D3-A	Adjusted Container Costs Compared to Current Month Container Costs
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Rebuttal Exhibit D8	Changes in Diesel Fuel Costs
Rebuttal Exhibit D9	Changes in Heating Fuel Costs (Natural Gas)
Rebuttal Exhibit D10	Adjustments for Container Efficiencies Due to Container Size
Rebuttal Exhibit D11A	Calculation of Minimum Wholesale Price Gallon Reduced Fat Milk (2%)
Rebuttal Exhibit D11B	Calculation of Minimum Wholesale Price Half Pint Flavored Nonfat Milk (Skim)

Ronald W. Mong, CPA
Curriculum Vitae

EDUCATION

Pennsylvania State University – B.S. Degree in Accounting, High Distinction (1977)

EMPLOYMENT

Herbein + Company, Inc., Reading, PA

2003 to present

Senior Manager – Dairy Consulting

- Cost benchmarking
- Milk shrinkage reduction projects
- Dairy accounting seminars
- Regulatory issues – PA Milk Marketing Board, Federal Milk Marketing Orders, other state regulatory agencies
- Mergers and acquisitions
- Specialized financial reporting for dairy businesses
- Software installation assistance
- Dairy cost accounting for basic and complex products

Wilcox Farms, Inc., Roy, WA

2001 – 2003

Director of Finance & Administration (CFO)

- Developed and implemented a Balanced Financial Scorecard
- Supervised and trained accounting, office, and information technology staff at multiple locations
- Negotiated innovative bank financing package that significantly lowered interest costs
- Successfully managed the financial, banking, and accounting aspects of a significant acquisition

Herbein Consulting, Inc., Reading, PA

1999 – 2001

Manager – Dairy Financial Consulting

- Performed a variety of financial consulting services to dairy processing plants of varying sizes, product lines, and locations
- Served as interim CFO for dairy companies during personnel transitions
- Developed content for the IDFA Dairy Cost Accounting workshops

Ronald W. Mong, CPA

Schneider's Dairy, Inc., Pittsburgh, PA

1996 – 1999

General Manager, Mong Dairy Division

- Profitably managed and grew an ice cream manufacturing and dairy distribution business
- Successfully managed transition from non-union to union workforce
- Effectively directed sales, purchasing, personnel, distribution, maintenance, and accounting functions

Mong Dairy, Inc., Seneca, PA

1990 – 1996

President

- Expanded market share and distribution area
- Increased product lines and installed new packaging line
- Effectively positioned company for sale

1979 – 1990

Vice President and Controller

- Selected, planned, and installed first computerized accounting system
- Successfully reorganized work to reduce office staff by 50%
- Increased sales with key accounts
- Developed and implemented financial reporting

Arthur Andersen & Co., Pittsburgh, PA

1977 – 1979

Senior Accountant

- Supervised audit and tax work for a variety of public and private clients

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS

CPA – Commonwealth of Pennsylvania

Firm Member – Allinial Global

Member – American Institute of Certified Public Accountants (AICPA)

Member – Pennsylvania Institute of Certified Public Accountants (PICPA)

Board of Directors – Pennsylvania Association of Milk Dealers

Board of Directors, Secretary-Treasurer – National Ice Cream Mix Association

Board of Governors & Insurance Committee – Manufacturer's Association of Northwest Pennsylvania

Board of Directors – Oil City Area Chamber of Commerce

Board of Directors (charter) – MilkPEP

Chairman of the Board – Oil City Housing Authority

Ronald W. Mong, CPA

PROFESSIONAL AND CIVIC ASSOCIATIONS AND DESIGNATIONS (Cont'd)

Board of Directors – Venango County United Way

Chairman of Administrative Board – Calvary United Methodist Church

Distinguished Service Award – Oil City Jaycees

COURSES INSTRUCTED

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 66, 2006

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 66, 2007

Dairylea Cooperative – Dairy Accounting 101 & 102 – May 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 64, 2008

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 63, 2009

International Dairy Foods Association (IDFA) Dairy Cost Accounting Workshop – NOVEMBER 61-12, 2010

Dean Foods – Northeast Marketing Area Federal Order 1 – July 20-21, 2010

International Dairy Foods Association (IDFA) NEW Dairy Cost Accounting Workshop – NOVEMBER 61, 2011

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – NOVEMBER 65-16, 2012

Farmland Dairy – Dairy Accounting Workshop – August 21-22, 2012

Wawa – Dairy Accounting Workshop – November 7, 2012

HP Hood – Dairy Accounting Workshop – February 12-13, 2013

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – NOVEMBER 64-15, 2013

Saputo Dairy – Dairy Accounting Workshop – April 15, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – May 20-21, 2014

Webinar – Intro to Dairy Product Costing – September 10, 2014

Webinar – Applying Dairy Product Costing to Finished Products – September 17, 2014

Webinar – Advanced Milk Accounting Topics – September 24, 2014

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop – NOVEMBER 12-13, 2015

Rutter's – Dairy Accounting Workshop – November 4, 2015

Dean Foods – Dairy Accounting Workshop – April 27, 2016

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop –
November 16-17, 2016

Kemps LLC – Dairy Accounting Workshop – December 15, 2016

Byrne Dairy – Dairy Accounting Workshop – April 11-12, 2017

Ronald W. Mong, CPA

COURSES INSTRUCTED (Cont'd)

International Dairy Foods Association (IDFA) Dairy Accounting & Finance Workshop –
December 12-13, 2017

Dean Foods – Dairy Accounting Workshop – January 10, 2018

Webinar Series – California Federal Milk Marketing Order – September 13, 20, & 27, 2018

Dairy Institute of California - Milk Pricing & Cost Accounting Workshop – October 17-18, 2018,
October 24-25, 2018]

Readington Farms - Milk Pricing & Cost Accounting Workshop – January 14-15, 2019

Maryland & Virginia Milk Producers Cooperative - Milk Pricing & Cost Accounting Workshop –
January 31- February 1, 2019

Johanna Foods- Milk Pricing & Cost Accounting Workshop – July 29-30, 2019

Dairy Farmers of America- Milk Pricing & Cost Accounting Workshop – September 19-20, 2019

SPECIFIC DAIRY RELATED EXPERIENCE

Considerable experience in implementing the prices and regulations of the Pennsylvania Milk
Marketing Board; has presented sworn testimony in General Price Hearings.

Extensive experience in costing, pricing, and marketing of milk, cultured products, and ice cream.

Significant experience in production, distribution, and quality assurance of dairy products.

Management experience includes both union and non-union environments.

Great deal of experience in the installation and ongoing operation of the major computerized route
accounting systems.

Served on the Charter of Board of Directors of the National Fluid Milk Promotion Board (MilkPEP), the
group that developed the now-famous “milk mustache” ads.

EXPERT WITNESS TESTIMONY

Pennsylvania Milk Marketing Board – Expert Testimony – Over Price Premium Adjustment Hearing
(hearing held February 2, 2005)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 5 and Area 6 Cost Replacement
Hearings (hearings held on March 11, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 2 and Area 4 Cost Replacement
Hearings (hearings held on April 3 and May 1, 2019)

Pennsylvania Milk Marketing Board – Expert Testimony – Area 1 and Area 3 Cost Replacement
Hearings (hearings held on May 1, 2019)

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

PROCESSING, PACKAGING AND DELIVERY COSTS/POINT
(WEIGHTED AVERAGE BASED ON SALES IN AREA 3)

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
(Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

<u>Cost Center</u>	<u>Total 2018 Points in PMMB Area 3 (1)</u>	<u>Weighted Average 2018 Cost/Point (1)</u>
Receiving, lab and field work	100,503,916	\$ 0.0190
Standardization and pasteurization	147,361,657	0.0198
Bottling	141,654,574	0.0397
Cold room	155,484,321	0.0388
Delivery	112,677,217	0.1214
Selling	107,975,468	0.0270
		<u>\$ 0.2657</u>

(1) Reflects points (and related cost/point) for sales in PMMB Area 3 for the cross-section dealers.

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR PROCESSING, PACKAGING AND DELIVERY COSTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
 dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
 dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
 (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

	<u>2018 Weighted Average Cost/Point</u>	<u>2017 Cost/Point Included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Receiving, lab and field work	\$0.0190	\$0.0164	\$0.0026
Standardization and pasteurization	0.0198	0.0275	(0.0077)
Bottling	0.0397	0.0349	0.0048
Cold room	0.0388	0.0398	(0.0010)
Delivery	0.1214	0.1226	(0.0012)
Selling	<u>0.0270</u>	<u>0.0250</u>	<u>0.0020</u>
Sub total	\$0.2657	\$0.2662	(\$0.0005)
Add:			
2019 Cost increase (decrease) adjustment - Exhibit D7			0.0030
Less:			
2018 Cost (increase) decrease adjustment (1)			<u>(0.0058)</u>
Net change			<u><u>(\$0.0033)</u></u>

**PMMB AREA 3
NOVEMBER 6, 2019 COST REPLACEMENT HEARING**

**SUMMARY OF CURRENT CONTAINER COSTS WITH ADJUSTMENT FOR SHRINKAGE AND LOSS AND
UPDATE TO CURRENT MONTH**

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
(Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC**

<u>Container Size</u>	<u>April 2019 Container Cost (1)</u>	<u>Adjust from April 2019 to September 2019 - Current (2)</u>	<u>Subtotal</u>	<u>Calculated Shrinkage and Loss (4)</u>	<u>Shrinkage Cost</u>	<u>Total Container Cost</u>
Gallon (5)	\$ 0.2096	\$ (0.0080)	\$ 0.2016	1.73%	\$ 0.0035	\$ 0.2051
1/2 gallon - plastic	0.1467					
1/2 gallon - paper	(3)					
2 gallon - blended (5)	<u>0.1467</u>	0.0016	0.1483	1.22%	0.0018	0.1501
Quart - plastic	0.1200					
Quart - paper	(3)					
Quart - blended (5)	<u>0.1200</u>	(0.0003)	0.1197	1.57%	0.0019	0.1216
Pint - plastic	0.0803					
Pint - paper	(3)					
Pint - blended (5)	<u>0.0803</u>	-	0.0803	1.62%	0.0013	0.0816
Twelve ounce	(3)					
Ten ounce	(3)					
1/2 pint - plastic (5)	0.0693	(0.0034)	0.0659	0.92%	0.0006	0.0665
1/2 pint - paper (5)	0.0261	(0.0007)	0.0254	0.85%	0.0002	0.0256
Four ounce - paper	0.0244		0.0244	1.53%	0.0004	0.0248
Dispenser	0.0341		0.0341	1.30%	0.0004	0.0345

- (1) For containers not purchased in April 2019 the most recent invoice was used.
- (2) September 2019 container costs were used by the PMMB to establish minimum resale prices for October 2019.
- (3) Container not packaged in this Area.
- (4) Calculated based on actual container loss from a state-wide cross section of processing dealers for controlled containers used during the period January – March 2009. This state-wide cross section is composed of every processing dealer that participates in a cost replacement hearing.
- (5) Current container costs would replace these costs monthly when the PMMB minimum resale prices are announced.

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

ADJUSTED CONTAINER COSTS COMPARED TO CURRENT MONTH
CONTAINER COSTS – OCTOBER 2019

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
(Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

<u>Container Size</u>	<u>Adjusted Container Costs from Exhibit D3</u>	<u>Container Costs in Current Prices (1)</u>	<u>Difference</u>
Gallon (2)	\$ 0.2051	\$ 0.2093	\$(0.0042)
Half Gallon (2)	0.1501	0.1398	0.0103
Quart (2)	0.1216	0.1399	(0.0183)
Pint (2)	0.0816	0.0818	(0.0002)
1/2 pint - plastic (2)	0.0665	0.0658	0.0007
1/2 pint - paper (2)	0.0256	0.0295	(0.0039)
Four ounce - paper	0.0248	0.0195	0.0053
Dispenser (per quart)	0.0345	0.0374	(0.0029)

(1) Per General Order No. A-962 (CRO 9) as updated.

(2) These container costs to be updated monthly.

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

SUMMARY OF INGREDIENT COSTS
(WEIGHTED AVERAGE BASED ON ACTUAL SALES IN AREA 3)

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
 dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
 dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
 (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

	April 2019 Ingredient Cost Per Pound (1)
	<hr/>
Standard	\$.0000
Reduced fat (2%) milk	.0001
Lowfat (1%) milk	.0001
Nonfat (skim) milk	.0006
Flavored milk	.0442
Flavored reduced fat milk	.0337
Flavored nonfat milk	.0265
Buttermilk	.0061
Eggnog	.1631

(1) For ingredients not purchased in April 2019 the most recent invoice was used.

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

COST REPLACEMENT ADJUSTMENTS FOR INGREDIENTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
 dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
 dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
 (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

	<u>April 2019 Weighted Average Cost/Pound</u>	<u>Cost/Pound included in Existing Order (1)</u>	<u>Increase (Decrease)</u>
Standard milk	\$0.0000	\$0.0000	\$0.0000
Reduced fat milk (2%)	0.0001	0.0001	0.0000
Lowfat milk (1%)	0.0001	0.0002	(0.0001)
Nonfat milk (skim)	0.0006	0.0009	(0.0003)
Flavored milk (2)	0.0442	0.0415	0.0027
Flavored reduced fat milk (2)	0.0337	0.0332	0.0005
Flavored nonfat milk (2)	0.0265	0.0278	(0.0013)
Buttermilk	0.0061	0.0070	(0.0009)
Eggnog	0.1631	0.1436	0.0195

(1) Per General Order OGO A-962 (CRO 9) as updated for flavored milks on October 1, 2019.

(2) Ingredient costs to be updated on a quarterly basis for flavored milk, flavored reduced fat milk and flavored nonfat milk. Updates should be effective on January 1, April 1, July 1 and October 1.

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

WEIGHTED COST OF SHRINKAGE AND WEIGHTED COSTS AND REVENUES FROM BULK CREAM AND BULK MILK

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC

dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

<u>PMMB Area 3</u>	<u>Costs</u>	<u>Revenues</u>	<u>Weighted Net Cost (Revenue)</u>	<u>Weighted Pounds</u>	<u>Weighted Cost (Revenue) Per</u>
Shrinkage	\$ 558,257		\$ 558,257		
Bulk milk revenue minus milk costs		65,977			
Bulk milk cost center costs & freight	54,374				
Net bulk milk cost (revenue)			(11,603)		
Bulk cream revenue minus milk costs		997,362			
Bulk cream cost center costs	253,285				
Net bulk cream cost (revenue)			(744,077)		
Total	<u>\$ 865,916</u>	<u>\$ 1,063,339</u>			
Net cost (net revenue) - calendar year 2018			\$ (197,423)	192,767,643	\$ (0.0010)
Net cost (net revenue) in current order - calendar year 2017			<u>\$ (36,593)</u>	193,362,047	<u>(0.0002)</u>
Net change - cost increase (cost reduction)			<u>\$ (160,830)</u>		<u>\$ (0.0008)</u>

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

BUTTERFAT CONTENT OF PRICE CONTROLLED PRODUCTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
 dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
 dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
 (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

	2018 Weighted Average Butterfat Test	Butterfat Test included in Existing Order (1)	Increase (Decrease)
Standard milk	3.2750%	3.2557%	0.0193%
Reduced fat milk (2%)	1.9840%	1.9636%	0.0204%
Lowfat milk (1%)	0.9769%	0.9770%	-0.0001%
Nonfat milk (skim)	0.0785%	0.0858%	-0.0073%
Flavored milk	3.2826%	3.2805%	0.0021%
Flavored reduced fat milk	1.1865%	1.2110%	-0.0245%
Flavored nonfat milk	0.0982%	0.1239%	-0.0257%
Buttermilk	2.0842%	2.0570%	0.0272%
Eggnog	7.0530%	6.4837%	0.5693%

(1) Per General Order No. A-962 (CRO 9)

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

COST INCREASES (DECREASES) FOR LABOR, INSURANCE AND UTILITY COSTS

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
 dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

Type of Expense	Weighted Expenses for the Six Months Ended June 30 (1)		Weighted Points for the Six Months Ended June 30 (1)		Cost Per Point		Increase (Decrease) Per Point
	2019	2018	2019	2018	2019	2018	
Labor and fringe benefits	\$ 10,921,018	\$ 10,952,236	72,066,213	73,778,049	\$ 0.1515	\$ 0.1484	\$0.0031
Utilities	457,925	498,045	72,066,213	73,778,049	0.0064	0.0068	(0.0004)
Insurance	336,288	321,071	72,066,213	73,778,049	0.0047	0.0044	0.0003
					<u>\$0.1626</u>	<u>\$0.1596</u>	<u>\$0.0030</u>

(1) Weighted based on sales in PMMB Area 3

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

CHANGES IN DIESEL FUEL COSTS

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
 dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
 dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
 (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC**

Diesel fuel costs – calendar year 2018 (1)	\$1,563,791
Delivery points – calendar year 2018 (1)	<u>112,677,217</u>
Diesel fuel cost per point delivered	<u><u>\$0.0139</u></u>
Average diesel price – calendar year 2018 (2)	\$3.361
Average diesel price – August 2019 (2) (3)	<u>\$3.208</u>
Increase (decrease) from year 2018 to month August 2019	-4.55%
Increase (decrease) in diesel fuel cost per point delivered	<u><u>(\$0.0006)</u></u>

- (1) Costs of cross-section dealers weighted by sales in Area 3.
- (2) On-highway diesel prices per gallon for the Central Atlantic Region as published by the U.S. Energy Information Administration.
- (3) August 2019 diesel fuel costs were used by the PMMB in establishing minimum prices for October 2019.

PMMB AREA 3

NOVEMBER 6, 2019 COST REPLACEMENT HEARING

CHANGES IN HEATING FUEL COSTS (NATURAL GAS)

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
 dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
 dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
 (Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC**

Heating fuel costs – calendar year 2018 (1)	\$201,219
Standardization & pasteurization points – calendar year 2018 (1)	147,361,658
Heating fuel cost per point pasteurized	<u>\$0.0014</u>
Average heating fuel costs – calendar year 2018 (2)	\$8.68
Average heating fuel costs – June 2019 (2) (3)	<u>8.35</u>
Increase (decrease) from year 2018 to month June 2019	-3.80%
Increase (decrease) in heating fuel cost per point pasteurized	<u>(\$0.0001)</u>

- (1) Costs of cross-section dealers weighted by sales in Area 3.
- (2) Industrial natural gas prices for Pennsylvania in dollars per thousand cubic feet as published by the U.S. Energy Information Administration.
- (3) June 2019 natural gas costs were used by the PMMB in establishing minimum prices for October 2019.

**PMMB AREA 3
NOVEMBER 6, 2019 COST REPLACEMENT HEARING**

**ADJUSTMENTS FOR CONTAINER EFFICIENCIES
DUE TO CONTAINER SIZE**

**Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC dba Swiss Premium Dairy, Monroe County Milk Producers
Coop Assoc. dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc (Schuylkill Haven),
Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC**

<u>Container Size</u>	<u>Container Quantities Sold by Cross-Section Dealers in 2018 in Area 3</u>	<u>Proposed Container Efficiency Adjustments</u>	<u>Impact on Cross-Section Dealer Revenue</u>	<u>Container Efficiency Adjustments in Current Order (1)</u>	<u>Impact on Cross-Section Dealer Revenue</u>
Gallon	10,247,097	\$ (0.0740)	\$ (758,285)	\$ (0.0532)	\$ (545,146)
Half gallon	10,598,658	(0.0246)	(260,727)	(0.0299)	(316,900)
Quart	3,311,061	0.0495	163,898	0.0401	132,774
Pint	1,848,260	0.0256	47,315	0.0256	47,315
Half pint - plastic	450,100	0.0159	7,157	0.0146	6,571
Half pint - paper	45,427,457	0.0159	722,297	0.0146	663,241
4 oz.	2,187,086	0.0221	48,335	0.0181	39,586
Dispenser (per quart)	1,203,560	0.0273	<u>32,857</u>	0.0217	<u>26,117</u>
Net impact on cross-section dealer revenues			<u>\$ 2,847</u>		<u>\$ 53,558</u>

(1) Per OGO A-962 (CRO 9) as updated.

PMMB AREA 3
NOVEMBER 6, 2019 COST REPLACEMENT HEARING
CALCULATION OF WHOLESALE MINIMUM PRICE
GALLON REDUCED FAT MILK (2%) FOR OCTOBER 2019

Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
(Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	1.9840%	1.9636%	0.0204%
Butterfat price as announced by PMMB	(1)	\$ 2.5787 per lb.	\$ 2.5787 per lb.	
Extended butterfat value		\$ 0.0512 per lb.	\$ 0.0506 per lb.	
Skim price as announced by PMMB	(1)	\$ 13.46 per cwt.	\$ 13.46 per cwt.	
Extended skim value		\$ 0.1319 per lb.	\$ 0.1320 per lb.	
Total milk value at announced prices		<u>\$ 0.1831 per lb.</u>	<u>\$ 0.1826 per lb.</u>	<u>\$ 0.0005</u>
Ingredient cost	D4	0.0001	0.0001	
Cost of shrinkage / bulk milk & cream	D5	(0.0010)	(0.0002)	
Total milk cost per pound		<u>\$ 0.1822 per lb.</u>	<u>\$ 0.1825 per lb.</u>	<u>\$(0.0003)</u>
Pounds per gallon (conversion)		<u>8.62</u>	<u>8.62</u>	
Total milk cost per gallon		<u>\$ 1.5706</u>	<u>\$ 1.5732</u>	<u>\$(0.0026)</u>
Container cost (adjusted for shrinkage)	D3	0.2051 each	0.2093 each	(0.0042)
Cost center costs	D2	1.0628	1.0648	(0.0020)
1st half 2019 to 1st half 2018 adjustment	D7	0.0120	0.0232	(0.0112)
Container efficiency adjustment	D10	(0.0740)	(0.0532)	(0.0208)
Percentage discount adjustment	(3)	0.0220	0.0220	-
Diesel fuel adjustment	D8	(0.0024)	0.0068	(0.0092)
Heating fuels adjustment	D9	(0.0004)	(0.0004)	-
		<u>\$ 2.7957 each</u>	<u>\$ 2.8457 each</u>	<u>\$(0.0500)</u>
Dealer profit at 3.4%	(2)	0.0984	0.1002	\$(0.0018)
Subtotal		<u>\$ 2.8941 each</u>	<u>\$ 2.9459 each</u>	<u>\$(0.0518)</u>
Less: average delivery cost	(2)	(0.4992)	(0.4992)	
Add: high cost delivery	(2)	0.9448	0.9448	
Wholesale minimum price		<u>\$ 3.3397 each</u>	<u>\$ 3.3915 each</u>	<u>\$(0.0518)</u>

(1) As announced for October 2019 by PMMB on September 19, 2019.

(2) Per OGO A-962 (CRO 9) as updated.

(3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."

**PMMB AREA 3
NOVEMBER 6, 2019 COST REPLACEMENT HEARING**

**CALCULATION OF WHOLESALE MINIMUM PRICE
HALF PINT FLAVORED NONFAT MILK (SKIM) FOR OCTOBER 2019
Clover Farms Dairy Co., Dan Ed Corp. T/A Guers Dairy, Dean Dairy Holdings LLC
dba Swiss Premium Dairy, Monroe County Milk Producers Coop Assoc.
dba Pocono Mountain Dairies, Turkey Hill LP dba Turkey Hill Dairy, Tuscan/Lehigh Dairies, Inc
(Schuylkill Haven), Tuscan/Lehigh Dairies, Inc (Lansdale), Valley Farms Dairy LLC**

	<u>Reference</u>	<u>Proposed Order</u>	<u>Current Order (2)</u>	<u>Change</u>
Butterfat test	D6	0.0982%	0.1239%	-0.0257%
Butterfat price as announced by PMMB	(1)	\$ 2.5787 per lb.	\$ 2.5787 per lb.	
Extended butterfat value		\$ 0.0025 per lb.	\$ 0.0032 per lb.	
Skim price as announced by PMMB	(1)	\$ 13.46 per cwt.	\$ 13.46 per cwt.	
Extended skim value		\$ 0.1345 per lb.	\$ 0.1344 per lb.	
Total milk value at announced prices		<u>\$ 0.1370 per lb.</u>	<u>\$ 0.1376 per lb.</u>	<u>\$(0.0006)</u>
Ingredient cost	D4	0.0265	0.0278	
Cost of shrinkage / bulk milk & cream	D5	(0.0010)	(0.0002)	
Total milk cost per pound		<u>\$ 0.1625 per lb.</u>	<u>\$ 0.1652 per lb.</u>	<u>\$(0.0027)</u>
Pounds per gallon (conversion)		0.50	0.50	
Total milk cost per half pint		<u>\$ 0.0813</u>	<u>\$ 0.0826</u>	<u>\$(0.0013)</u>
Container cost (adjusted for shrinkage)	D3	0.0256 each	0.0295 each	(0.0039)
Cost center costs	D2	0.0664	0.0666	(0.0002)
1st half 2019 to 1st half 2018 adjustment	D7	0.0007	0.0015	(0.0008)
Container efficiency adjustment	D10	0.0159	0.0146	0.0013
Percentage discount adjustment	(3)	0.0015	0.0015	-
Diesel fuel adjustment	D8	(0.0002)	0.0003	(0.0005)
Heating fuels adjustment	D9	-	-	-
		<u>\$ 0.1912 each</u>	<u>\$ 0.1966 each</u>	<u>\$(0.0054)</u>
Dealer profit at 3.4%	(2)	0.0067	0.0069	\$(0.0002)
Subtotal		<u>\$ 0.1979 each</u>	<u>\$ 0.2035 each</u>	<u>\$(0.0056)</u>
Less: average delivery cost	(2)	(0.0312)	(0.0312)	
Add: high cost delivery	(2)	0.0591	0.0591	
Wholesale minimum price		<u><u>\$ 0.2258</u></u> each	<u><u>\$ 0.2314</u></u> each	<u><u>\$(0.0056)</u></u>

(1) As announced for October 2019 by PMMB on September 19, 2019.

(2) Per OGO A-962 (CRO 9) as updated.

(3) Per OGO A-972 "Price Adjustments to Account for Interaction of Milk Prices and Wholesale Percentage Discounts."